Alan Rohrbach

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Sent: Friday, November 02, 2018 8:52 AM
To: Alan Rohrbach
Subject: ROHR-BLOG: More Elbow Room, Quick Take, Calendar

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Dear Subscribers,

We are coming to you quite a bit earlier than usual in the wake of this morning's across-the-board stronger than expected US Employment report. It was also obvious coming into this morning that US EQUITIES were already extending their gains of the past several sessions based on other factors that may or may not be real. That said, the US Nonfarm Payrolls gain of 250,000 (versus a 200,000 estimate) and the annualized Hourly Earnings 3.1% gain are major positive indications after the recent market worries.

And while sometimes during FOMC hiking cycles very strong US Employment numbers can be a "good news is bad news" influence, at least so far the US EQUITIES are holding their overnight gains; reinforced by the GOVVIES reversion to weakness after their EQUITIES scare 'haven' bid into early this week.

It would seem that the psychology we have discussed previous (and especially after Thursday's BoE Inflation Report press conference) that the global economy is likely still growing in spite of recent weakness will bolster the US EQUITIES (and others.)

However, even though the near term strength of US EQUITIES has

extended above a key technical threshold (more below) that seems to provide bulls more 'elbow room', the near-term driver for that is questionable. Which is not to say the market will fail if it proves false, but more so there may be some pressure.

That was Thursday's Trump pronouncement the US is close to trade rapprochement with China. While that would indeed be very constructive, subsequent indications from knowledgeable administration officials are that there is no such development. Yet with that further intelligence already in the market, US EQUITIES are still maintaining their gains. Along with the GOVVIES reversion to weakness, that continues to support our generally constructive view of EQUITIES despite the previous fear and loathing during the entire month of 'Shoctober'.

Market Quick Take (Much the Same)

During the month of October FRONT MONTH S&P 500 FUTURE was obviously back below old violated higher resistance into the 2,840-50 area (including a weekly channel 2,835 DOWN Break) and subsequently failed 2,800-2,790 support. In the event the 'quadruple whammy' noted three weeks ago Thursday hit near-term psychology for failures below those areas.

Last week's further DECEMBER S&P 500 FUTURE downside activity also exhibited a 2,708 DOWN Break (see Monday morning's chart http://bit.ly/2CLEyda from before that session's 2,603 new trading low) out of the broad up channel since the February-April mid-2,500 area sharp reaction lows. As noted previous, last week's Close was below the late-May 2,675 pullback low Tolerance of the channel, yet by such a marginal factor as to allow subsequent recovery; like the present rally.

That now represents enough of a recovery to restore overall upward trend momentum above that 2,708 DOWN Break, and that area should now be support on selloffs. If last week's Close was only 'slippage' below the channel, that should lead to sustained recovery back up into the channel to regain all recent losses. Based on recent price movement, the proof in this pudding is back to favoring the bulls… as will the upcoming 'Santa Claus

Rally' if US EQUITIES make further gains.

And with a couple of notable exceptions, very little has changed elsewhere since Monday's research note, we refer you back to that for more on the various OTHER ASSET CLASSES. The GOVVIES are predictably giving back some of their recent 'haven' bid on the US EQUITIES reversing their recent weakness. Even the more resilient BUND is back below the violated 160.00.-30 area in spite of continued concerns in EUROPE.

Similarly in FOREIGN EXCHANGE the EURO and POUND were suffering more than the other DEVELOPED ECONOMY CURRENCIES prior to the current restored global economic health psychological recovery. Even on the near-term setback, the US DOLLAR INDEX maintains its push toward mid-upper 97.00 resistance we have noted since it first pushed back above 95.00-.50 in early October. With the hint of US-China rapprochement in the wind, it is not surprising that the AUSTRALIAN DOLLAR saw AUD/USD snap back up to its historic .7200-50 area from October's month-long vigorous test near the .7000 area congestion.

And while the EMERGING CURRENCIES are still more country-specific trends than previous, they are responding well to the idea there may be a more constructive global growth environment. Even the looming government change beleaguered MEXICAN PESO has dropped back below from temporarily above its 20.00-20.20 congestion.

While once again seeming a bit less relevant as we have been noting for a while in the midst of more major global trade and political cross currents, this week's Weekly Report & Event Calendar (accessible for Sterling and higher level subscribers) is available via the www.rohr-blog.com sidebar. While it is a useful guide to all of the important data and events of this week, all of it is just the lead-in to next Tuesday's US midterm elections. The 'received wisdom' is the Democrats will likely regain control of the House of Representatives while Republicans hold on to much clearer control of the Senate.

The other 'likely' therefore is there will be no further tax, regulatory, entitlements or other fiscal reforms likely for the next two years… for better

or worse. And there might just possibly (only a possibility) be a move to impeach President Trump, whether that has any chance to turn into a conviction in the Senate. So that is yet another key factor into next week at such a critical time for the Evolutionary Trend View in the EQUITIES and OTHER ASSET CLASSES. While nobody will know until Wednesday morning, it is possible Democrats success in the House might be a factor raising some market concerns; even though Republican control of the Senate means that nothing is likely to reverse recent US regulatory and tax policy changes for the next two years.

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